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SIPDIS

SENSITIVE
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STATE FOR EAP/MTS, EAP/EP, AND EB/IFD
DEPT FOR EB/IPC
STATE PASS USTR FOR BWEISEL AND DKATZ
STATE ALSO PASS USAID, OPIC, USDA
TREASURY FOR OASIA
USDOC FOR 4430/ITA/MAC
USDOC PASS USPTO
STATE ALSO PASS LOC

E.O. 12958: N/A

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SUBJECT: USTR Reviews IPR Progress, Economic Openness

11. (SBU) Summary. AUSTR Barbara Weisel and USTR Director for Southeast Asia David Katz warned GRP officials that intellectual property rights protection must continue to improve if the country is to avoid a return to the Priority Watch List. They told Philippine officials and businessmen that any bilateral free trade agreement with the United States would include chapters on investment, IPR, labor and the environment. They also urged them to be clear on their own goals as they consider the possibility of negotiating a FTA. End summary.

No Free Trade Yet

12. (SBU) AUSTR Barbara Weisel and USTR Director for Southeast Asia David Katz met with a wide variety of GRP officials and businesspeople during their May 8-11 visit to the Philippines. Most of their interlocutors asked Weisel and Katz about the prospects for a U.S.-Philippines free trade agreement. Weisel and Katz explained that the USG is open to eventual bilateral talks on free trade, but is concerned that GRP negotiators are not aware that the USG would seek a comprehensive agreement. They encouraged Philippine businesses to form a clear idea of what their own goals were from free trade with the United States, and have a strategy for responding to U.S. proposals.

13. (SBU) With Alberto Lim, executive director of the Makati Business Club (MBC), Katz pressed the view that the issues the United States raises in bilateral trade talks, like transparency in government and strong competition law, are the same ones the MBC lobbies for domestically. EconCouns added that for a free trade agreement to work, the Philippine business sector needed to be committed to it and make it clear to the GRP that it was a priority. Lim appeared swayed by the discussion and contacted the Embassy afterwards to request that Katz meet the Board of Directors on his next Manila visit.

14. (SBU) Ambassador Cesar Bautista, co-chair of President Arroyo's Competitiveness Summit, led a discussion with a small group of academics and businessmen about the increased competitiveness that would come from opening the Philippine economy. Ambassador Donald Dee, Chairman of the Philippine Chamber of Commerce and Industry, was very enthusiastic about the potential benefits for the local textile industry from free trade with the United States. Francisco Buencamino of the Tuna Cannery Association of the Philippines was enthusiastic about the opportunities in the U.S. market for his industry, but worried that pressure from U.S. domestic tuna

interests would make it hard to include his sector in an agreement.

IPR: Build on Existing Achievements

15. (SBU) Weisel and Katz met Adrian Cristobal, Director General of the Intellectual Property Office. Cristobal said that while he was pleased that the Philippines had been downgraded from the Priority Watch List in 2006, his goal was to have the Philippines off the Watch List altogether within the next few years. He described the IPO's expanded cooperation with the U.S. Patent and Trademark Office. Katz and Weisel responded that an increase in the number of successful prosecutions of IPR violators would be a step toward exit from the Watch List. They urged Cristobal to work with the newly elected Congress to pass legislation implementing the WIPO Internet Treaties.

16. (SBU) Resty Meneses, executive director of the Optical Media Board, said that the Board's enforcement efforts had become more intensive during the first half of 2007. He complained that the election campaign then drawing to a close had interfered with OMB's work, leading to pressure on the Board not to conduct raids and because he and Chairman Edu Manzano had not officially been reappointed to their positions when their terms expired last March. He added that they expected their reappointments to become official once the vote counting was over.

17. (SBU) Noel delos Reyes, head of the Commercial Crimes division of the Philippine National Police, described his team's aggressive approach to IPR enforcement. He has increased the pace of raids and seizures over the past six months, and is working more closely with foreign companies on filing complaints against pirates. Delos Reyes warned that the policy of prosecuting mall owners after seizures is

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unrealistic because the owners are too far removed from daily operations to be convicted of complicity in the selling of counterfeits. After hearing that the PNP recently abandoned a raid that captured thousands of counterfeit Nike items after the company's lawyers abruptly declined to press charges, Katz urged delos Reyes not to let this deter him from building relationships with American companies.

18. (SBU) During a visit to Makati Cinema Square, a notorious market for pirated DVD's, Katz observed that while there were fewer stalls selling fake discs than in previous years, the number did not seem to have declined over the past year, and that discs continued to be openly available in several different parts of the mall. He noticed that the vast majority of pirated disks were of Chinese origin, but that there was an increased availability of illicit copies of Filipino movies.

Kenney